

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

July 24, 2002

APPROVED

November 6, 2002

The Regular Meeting of the Treasury Oversight Committee (TOC) was held on July 24, 2002 and called to order by Charles Schroeder, Chair, at 3:10 p.m.

Committee Members:

Present:

Charles Schroeder, Chair
Robert Fauteux, Member of the Public
Michael Schumacher, CEO
David Sundstrom, Auditor-Controller
Bill Habermehl, Department of Education

Absent:

None

Also present were:

John Moorlach, Treasurer-Tax Collector; **Dick Hilde**, Assistant Treasurer; **Judy Jacobson**, Investment Officer; **Paul Cocking**, Assistant Investment Officer; **Julia Xue**, Financial Analyst; **Brett R. Barbre**, Public Information Officer; **Holly Henderson**, Director of Communications; **Wendy Margarita**, Department of Education; **Pam Parisien**, **Eli Littner** and **Alan Marcum**, Internal Audit; **John Abbott**, County Counsel; **Alan Beek**, member of the public.

1. Meeting Called to Order

Charles Schroeder called the meeting to order.

2. Welcome and self-introductions

Introductions were made.

3. Public Comments

There were none.

4. Approval of Minutes

The Minutes of the April 24, 2002 were reviewed.

Recommended Action: Mr. Schroeder called for a motion to approve the Minutes as presented. Mr. Habermehl moved to approve the minutes, 2nd by Dr. Schumacher. Passed 5-0.

5. Chairman's Report

The Chairman had no comments.

6. Treasurer's Report

- a. The Governor signed AB 2182, sponsored by the Treasurer and carried by Assemblyman John Campbell, that allows County Treasurers, at their discretion, to operate their investment pools under the same basic rules and regulations as a 2a-7 money market fund.
- b. The City of Tustin has re-entered the investment pool.
- c. The county allowed local agencies to make temporary deposits in the county pool as a way of avoiding any potential freeze of dollars in the Local Agency Investment Fund (LAIF).
- d. The Transportation Corridor Agency (TCA) has been seeking alternative methods of rescuing their beleaguered bonds.
- e. There is a move to bring the schools into the X-fund. The Treasurer is working closely with Wendy Margarita at the Department of Education to approve the change.
- f. There was an article in the Orange County Register detailing the fact that the Orange County Investment Pool (OCIP) is outpacing the returns from Public Employees Retirement System (PERS).
- g. The Treasurer would like to begin purchasing investments from Merrill Lynch.

Mr. Schroeder asked several questions about the two most recent Monthly Management Reports.

7. Consideration of Term Limits for Public Members of the Committee

A proposed amendment to the By-Laws (**ATTACHMENT A**) to limit the terms of Public Members to 2-three year terms was discussed. Both Mr. Schroeder and Mr. Fauteux felt it was a good idea as it will eventually bring new blood to the committee.

Mr. Schroeder called for a motion to approve the recommended language as presented. Mr. Fauteux moved, 2nd by Mr. Sundstrom. Passed 5-0.

8. December 31, 2001 Annual Audit Proposals

The RFP is being finalized. Mr. Sundstrom will review the scope prior to its dissemination. Once it is finalized and distributed, a sub-committee of Dr. Schumacher and Mr. Sundstrom will assist in the review of the proposals received.

9. Rating Agency Status

Moody's has been approved to rate the pools. Their initial rating will be Aaa MR1. Once the contract is finalized, a Press Release will be issued on behalf of the TOC.

10. Commercial Paper Issuers

The "Schroeder" Report (**ATTACHMENT B**) was distributed to the committee. There were no comments or questions pertaining to the report.

11. Public Comments

There were no Public Comments.

12. Schedule Next Meeting Date

The next regular meeting was scheduled for November 6, 2002 in the Treasurer's Office, Conference Room A, 3:00 p.m.

13. Adjournment

Mr. Schroeder called for a motion to adjourn. Mr. Sundstrom moved to adjourn, 2nd by Dr. Schumacher. Passed 5-0.

The meeting was adjourned at 4:12 p.m.

Attachment A

BYLAWS AND RULES OF PROCEDURES OF THE COUNTY OF ORANGE TREASURY OVERSIGHT COMMITTEE

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(Proposed Revision: 7/24/02)

BYLAWS AND RULES OF PROCEDURES
OF THE COUNTY OF ORANGE TREASURY OVERSIGHT COMMITTEE

I. GENERAL PROVISIONS

Rule 1. The Bylaws and Rules of Procedures (hereinafter "Rules") shall govern the business of the County of Orange Treasury Oversight Committee (hereinafter "Committee").

Rule 2. Committee meetings shall be open to the public and subject to the Ralph M. Brown Act. (Chapter 9 (commencing with Section 54950 of Part 1 of Division 2 of Title 5 of the Government Code) (hereinafter "Brown Act"), as it may be amended from time to time.

Rule 3. Regular meetings of the Committee shall occur at the time and place and on the dates determined by resolution of formal action of the Committee.

II. MEMBERSHIP, APPOINTMENTS AND QUALIFICATIONS

Rule 4. The Committee was established by the County of Orange Board of Supervisors on December 19, 1995 by Resolution No. 95-946.

Rule 5. The exact size of the Committee and the categories from which the members shall be represented shall be determined by the Board of Supervisors, in consultation with the County Treasurer. The members shall be nominated by the Treasurer and confirmed by the Board of Supervisors.

Rule 6. As determined by the Board of Supervisors, in consultation with the Treasurer, the Committee shall consist of the following five members:

(a) The County Auditor-Controller

(b) The County Executive Officer, the representative appointed by the County Board of Supervisors.

(c) The County Superintendent of Schools or designee.

(d) Two members of the public.

Rule 7. All Committee members shall serve at the pleasure of the Board of Supervisors, and may be removed at any time, with or without cause, at the sole discretion of the Board of Supervisors.

Rule 8. The Board of Supervisors may reduce the Committee to three members. The Board of Supervisors may expand the size of the Committee to eleven members with the addition of any of the following members:

(a) The County Treasurer.

(b) A representative selected by a majority of the presiding officers of the government bodies of the school districts and community college districts in the County.

(c) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County treasury.

(d) Up to three other members of the public.

Rule 9. The term of office of each public member shall be limited to 2 three-year terms. In the case of a vacancy for a member of the public or other members, the term of office shall be until the selection of a successor by the Board of Supervisors. ~~or the resignation of the member.~~

Rule 10. A majority of the public members shall have expertise in, or an academic background in, public finance. The public members shall be economically diverse and bipartisan in political registration.

Rule 11. A member may not be employed by an entity that has (a) contributed to the campaign of a candidate for the office of local Treasurer, or (b) contributed to the campaign of a candidate to be a member of a legislative body or any local agency that has deposited funds in the County Treasury in the previous three years or during the period that the employee is a member of the Committee.

Rule 12. A member may not directly or indirectly raise money for a candidate for local Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

Rule 13. A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms during the period that the person is a member of the Committee or for one year after leaving the Committee.

Rule 14. The Committee may establish volunteer advisory subcommittees in order to secure specific areas of expertise necessary to meet the objectives of the Committee. The Committee will establish criteria for choosing such subcommittee members.

III. CHAIR AND VICE CHAIR - POWERS AND DUTIES

Rule 15. At the first meeting of the Committee, the Committee will elect a Chair and Vice Chair. Thereafter, at the first meeting of the Committee in each calendar year, the Committee shall elect a Chair and Vice Chair to serve for the calendar year.

Should the Chair or Vice Chair cease to be a member of the Committee, the remaining members of the Committee shall elect a Chair or Vice Chair at the next meeting of the Committee. The officer so elected shall serve for the unexpired portion of the term of office.

Rule 16. In the absence or inability of the Chair to preside over Committee meetings, the Vice Chair will perform such duties. If neither the Chair nor the Vice Chair is able to preside, the members of the Committee present, shall by an order entered in the minutes, select one of the members to act as Chair Pro Tem. The Chair Pro Tem shall have all the powers and duties of the Chair during the Chair's absence or inability to act.

Rule 17. The Chair shall preside at all meetings of the Committee and shall take the Chair at the hour appointed for every Committee meeting and immediately call the members to order and, except in the absence of a quorum, shall proceed with the business of the Committee in the manner prescribed in these Rules.

Rule 18. A majority of the members shall constitute a quorum for the purpose of transacting of business relating to the Committee. Each member shall be entitled to one vote. A vote of the majority of those present and qualified to vote shall be sufficient for the adoption of any option, resolution or order and to take any other action deemed appropriate to carry forward the objective of the Committee.

Rule 19. In the event that a member chooses to resign from the Committee, the member will notify the Chair in writing, at least 30 days prior to the effective date of resignation. The Chair, upon receipt of any member's resignation, will coordinate the appointment of a replacement member.

IV. AGENDA, SCHEDULING AND ORDER OF MEETINGS

Rule 20. An agenda shall be prepared by the Chair for each meeting and shall include a description and summary, if appropriate, for each item of business so listed. For any regular meeting of the Committee, the notice and agenda shall be posted no later than 72 hours prior to the time set for the meeting. For any special meeting of the Committee, the notice and agenda shall be posted no later than 24 hours prior to the meeting time.

The agenda will be timely distributed to members of the Committee prior to each meeting. In compliance with the Brown Act, the agenda shall specify the date, time and location of the meeting and shall be posted in a location that is freely accessible to the public.

Rule 21. Minutes of each meeting will be kept under direction of the Chair. Minutes of the preceding meeting will be distributed to Committee members in advance of the next meeting for review. Approval of the preceding meeting's minutes will be the first item of business at the following meeting.

Rule 22. Under the requirements of the Brown Act, members of the public have the right to address the Committee. Public comment segments will be scheduled in the agenda at the beginning and end of each meeting. Comments shall be limited to three (3) minutes per speaker, unless an extension is granted by the Chair.

Persons addressing the Committee shall state their name and city of residence for the record. All remarks will be addressed to the Committee as a body and not to

any specific members. No person, other than a member of the Committee, and the person addressing the Committee shall be permitted to enter into any discussion without the permission of the Chair. Whenever a group of persons wishes to address the Committee on the same topic, it shall be proper for the Chair to request a spokesperson be chosen to represent the group.

Any person making slanderous or profane remarks while addressing the Committee or while attending a meeting may be called to order by the Chair. If such conduct continues so as to disrupt the orderly conduct of the meeting, the Chair may order that person removed from the meeting room. In the event that a meeting is interrupted so as to render orderly conduct of the meeting unfeasible, and order cannot be restored, the Committee on majority vote, may order the room cleared and continue or adjourn the meeting.

Rule 23. The Committee shall conduct its meetings under Robert's Rules of Order, except as modified by these Rules. The Chair will decide all questions of order, unless overridden by a majority of the Committee members present.

Rule 24. Members of the Committee shall attempt to attend all meetings. If any member of the Committee is unable to attend, reasonable effort shall be made to notify the Chair prior to the meeting.

Rule 25. The Committee will receive staff support through the office of the Treasurer.

V. COMMITTEE AUTHORITY AND OBJECTIVES

Rule 26. The Committee's authority is determined by the provisions of Article 6 of Division 2 of Title 3 of the Government Code, County Treasury Oversight Committees, Sections 27130-27137 (hereinafter "Article 6").

Rule 27. The Committee shall review and monitor the annual investment policy prepared by the Treasurer in accordance with Section 27133. The investment policy shall include all of the following:

(a) A list of securities or other instruments in which the County may invest, according to law, including the maximum allowable percentage by type of security.

(b) The maximum term of any security purchased by the County.

(c) The criteria for selecting security brokers and dealers from, to, or through whom the County may purchase or sell securities or other instruments. The criteria shall prohibit the selection of any broker, brokerage, dealer or securities firm that has, within any consecutive 48 month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

(d) Limits on the receipt of honoraria, gifts, and gratuities from advisors, brokers,

dealers, bankers and other persons with whom the Treasurer conducts business by any member of the Committee. These limits may be in addition to the limits set by the Committee member's own agency, by state law, or by the Fair Political Practices Commission.

(e) A requirement that the Treasurer provide the Committee with an investment report as required by the Board of Supervisors.

(f) The manner of calculating and apportioning the costs, authorized by Section 27103, of investing, depositing, banking, auditing, reporting, or otherwise handling or managing of funds.

(g) The terms and conditions under which local agencies and other entities that are not required to deposit their funds in the County treasury may deposit funds for investment purposes.

(h) Criteria for considering requests to withdraw funds from the County treasury, pursuant to Section 27136. The criteria shall include an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the County treasury.

Rule 28. In accordance with Section 27134, the Committee shall cause an annual audit to be conducted to determine the Treasurer's compliance with Article 6. The audit may include issues relating to the structure of the investment portfolio and risk.

Rule 29. In accordance with Section 27137, the Committee shall not direct individual investment decisions, select individual investment advisors, brokers, dealers or impinge on the day-to-day operations of the Treasurer.

VI. MISCELLANEOUS PROVISIONS

Rule 30. These Rules are effective upon approval by the Board of Supervisors and are subject to amendment by the Committee, as appropriate for the efficient functioning of the Committee, to implement changes by the Board of Supervisors and to comply with the statutory and other legal requirements.

Rule 31. At any meeting, but not less frequently than the last meeting of each calendar year, the Committee shall review, discuss and approve any changes or amendments to the Bylaws and Rules of Procedure. Should any changes or amendments be approved by the Committee, such changes or amendments shall be presented to the Board of Supervisors for approval.

Rule 32. Upon accepting appointment as a member of the Committee, and annually thereafter, each member shall submit a signed Certificate of Compliance to the Treasurer attesting that the member is aware of and in full compliance with all requirements included in Rules 11 through 13, inclusive, and will remain in compliance during membership and for the requisite period of time after membership has been terminated.

Attachment B



COUNTY OF ORANGE

OFFICE OF THE TREASURER-TAX COLLECTOR

HALL OF FINANCE & RECORDS
12 CIVIC CENTER PLAZA, ROOM G76
P. O. BOX 4515
SANTA ANA, CA 92701

JOHN M. W. MOORLACH, C.P.A., CFP®
TREASURER-TAX COLLECTOR
(714) 834-7625

To: Investment Management Committee
From: Julia Xue, Financial Analyst

Subject: CP(ABCP) holdings as of 06/30/2002

Date: July 16, 2002

[Autobahn Funding Corp.](#)

NR/P1/F1+

NR///

\$2.59 Billion [asset-backed commercial paper](#) program primarily backed by trade and term receivables, securities. Autobahn ABCP investors have a security interest in all of Autobahn's assets. Liquidity support is provided by **Deutsche Zentral-Genossenschafts Bank** and other P1-rated financial institutions.

[Barton Capital](#)

A1+/P1/NR

NR///

\$7.68 billion [asset-backed commercial paper](#) program primarily backed by trade and term receivables. Credit Enhancement and Liquidity Support are provided by **Societe Generale** through Letter of Credit and 100% standby purchase facilities relating to each separate pool of receivables respectively.

[Bavaria GLB Corp](#)

A1/P1/NR

NR///

\$1 Billion [asset-backed commercial paper](#) program primarily backed by securities rated Aa2 or higher issued by German Landes-banks. Its liquidity is supported by revolving loans by **Bayerische Hypo-und Vereinsbank AG, New York Branch**.

[Beethoven Funding Corp](#)

A1/P1/NR

NR///

\$1.5 Billion [asset-backed commercial paper](#) program primarily backed by securities rated Aa2 or higher issued by **Dresdner Bank AG**. Its liquidity is supported by **Dresdner Bank AG** and other Prime 1 rated banks.

BOC Group Inc.

A1/P1/NR

A+/A2/NR

\$250 Million commercial paper program primarily supported by The BOC Group PLC.

Conduit Asset Backed Securities

NR/P1/F1+

NR///

\$1.5 Billion asset-backed commercial paper program primarily backed by debt securities rated at least Baa3 by Moody's. It has dynamic credit enhancement, and its liquidity support is provided by **ABN AMRO Bank N.V.**

CXC LLC

A1+/P1/F1+

AAA/NR/NR

\$17.5 Billion asset-backed commercial paper program primarily backed by trade receivables, loans and other financial assets. Credit Enhancement is through Aaa-rated monoline insurance companies or entities backed by the full faith and credit of the U.S. government. Liquidity Support is by general liquidity facility and transaction-specific liquidity purchase agreements supported by **Citibank, N.A.**

Edison Asset Securitization, LLC

A1+/P1/NR

NR///

\$39.75 Billion asset-backed commercial paper program primarily backed by trade and term receivables. Credit Enhancement and Liquidity Support are provided by **General Electric Capital Corporation** through Letter of Credit and asset-specific liquidity loans respectively.

Eiffel Funding

NR/P1/F1+

NR///

\$2.76 Billion asset-backed commercial paper program primarily backed by trade and term receivables, securities. Credit Enhancement and Liquidity Support are provided by **CDC Financial** through Committed Asset Purchase Agreement and Liquidity Asset Purchase Agreement respectively.

Explorer Pipeline Co.

A1/P1/F1

NR///

\$140 Million commercial paper program primarily backed by Equilon Pipeline Co., Chevron Pipeline Co., TRMI Holdings Inc., Marathon Oil, Sun Oil Pipeline Co., Conoco Pipeline Investments Co., CITGO Pipeline Investment Co., and Phillips Petroleum Co.

First Data Corporation

A1/P1/F1

A+/A1/NR

\$300 Million commercial paper program primarily backed by First Data Corporation, an Atlanta, GA - based company who has a diverse and important presence in credit card and merchant processing services.

Four Winds Funding Corporation

A1/P1/F1

NR///

\$10 billion asset-backed commercial paper program primarily backed by trade and term receivables, asset-backed securities, and unsecured loans to U.S. corporate borrowers. Credit Enhancement and Liquidity Support are provided by **Commerzbank AG** through Letter of Credit and Liquidity Asset Purchase Agreement respectively.

Galaxy Funding

A1+/P1/NR

NR///

\$10 billion asset-backed commercial paper program primarily backed by debt securities or financial assets rated at least Baa3 or better. Credit Enhancement is through Letter of Credit provided by P-1 rated banks and Liquidity Support is by asset-specific revolving credit facility and Liquidity Asset Purchase Agreement.

Hatteras Funding Corporation

A1/P1/NR

NR///

\$6.5 billion fully supported asset-backed commercial paper program primarily backed by synthetic leases. Liquidity Support is by Liquidity Asset Purchase Agreement and liquidity loan agreement provided by **Bank of America N.A.** and other Prime-1 rated banks.

Kitty Hawk Funding Corporation

A1+/P1/F1+

NR///

\$12 billion fully supported asset-backed commercial paper program primarily backed by trade, credit card and other receivables. Credit Enhancement and Liquidity Support is provided by **Bank of America N.A.** through Letter of Credit and Liquidity Asset Purchase Agreement respectively.

Liberty Street Funding Corporation

A1/P1/NR

NR///

\$8.0 Billion partially supported asset-backed commercial paper program primarily backed by trade and term receivables. Credit Enhancement and Liquidity Support are provided by **The Bank of Nova Scotia** through Letter of Credit and Pool-specific asset purchase commitments respectively.

Lockhart Funding LLC

NR/P1/F1

NR///

\$2.0 Billion asset-backed commercial paper program primarily backed by debt securities rated at least Aaa by Moody's. Credit Enhancement and Liquidity Support are provided by **Zions Bank** through Letter of Credit and Liquidity Asset Purchase Agreement respectively.

L'Oreal U.S.A. Inc.

NR/P1/F1+

NR///

\$600 Million (in the process of being increased to \$800 million) Commercial paper program guaranteed by L'Oreal SA.

Moat Funding LLC

A1+/P1/F1+

NR///

\$1.5 Billion asset-backed commercial paper program primarily backed by bank loans. Credit Enhancement and Liquidity Support are provided by **JP Morgan Chase Bank**

Motiva Enterprises LLC

A1/P1/NR

A+/NR/NR

\$1.25 billion commercial paper backed by Houston, Texas-based company Motiva, which upon completion of the sale of Texaco's interest will be owned evenly by units of Shell Oil and by Saudi Aramco. The company maintains committed and unused bank facilities equal to 100% of the program size.

Newport Funding Corporation

A1+/P1/F1+

NR///

\$5.0 Billion fully supported asset-backed commercial paper program backed by receivables and covered securities. Credit Enhancement is provided by a combination of a put option from **Deutsche Bank AG, New York Branch**, a surety bond provided by MBIA Insurance Corporation, and a credit default swap provided by **Deutsche Bank, AG, London Branch**. Liquidity Support is by liquidity facility provided by **Deutsche Bank AG**.

Park Avenue Receivables Corporation

A1/P1/F1

NR///

\$10.42 Billion partially supported asset-backed commercial paper program primarily backed by trade and term receivables. Credit Enhancement and Liquidity Support are provided by **JP Morgan Chase Bank** through Letter of Credit and Purchase Asset Agreement respectively.

Redwood Receivables Corporation

A1+/P1/NR

NR///

\$2.35 Billion partially supported asset-backed commercial paper program primarily backed by trade and term receivables. Credit Enhancement and Liquidity Support are provided by **General Electric Capital Corporation** through Letter of Credit and Liquidity Loan Facility respectively.

Volkswagen of America Inc.

A1/P1/NR

NR///

\$4.0 Billion Commercial paper program backed by Volkswagen AG.